

Decision \_\_\_\_\_

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (U338E) for Authorization to Recover Costs Related to 2009 Firestorms and 2010 Rainstorms and Recorded in the Catastrophic Event Memorandum Account.

Application 13-09-016  
(Filed September 30, 2013)

**DECISION GRANTING THE JOINT MOTION OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) AND THE OFFICE OF RATEPAYER ADVOCATES FOR APPROVAL OF AMENDED SETTLEMENT AGREEMENT****Summary**

This decision grants the Joint Motion of Southern California Edison Company (U 338-E) and the Office of Ratepayer Advocates for Approval of Amended Settlement Agreement. The Amended Settlement Agreement provides for the resolution of Southern California Edison's request for recovery of costs recorded in its Catastrophic Events Memorandum Account related to the 2009 Firestorm and 2010 Rainstorms.

**1. Background**

Beginning on August 25, 2009, Southern California experienced a series of firestorms, which resulted in the issuance of four State of Emergency Proclamations by Governor Arnold Schwarzenegger.<sup>1</sup> Southern California also

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<sup>1</sup> Application of Southern California Edison Company (U 338-E) For Authorization to Recover Costs Related to 2009 Firestorms and 2010 Rainstorms and Recorded in the Catastrophic Event Memorandum Account (SCE Application) September 30, 2013, at 3.

experienced a series of two rainstorms beginning in January 2010 and December 2010. The January 2010 rainstorms caused significant damage to Southern California Edison Company's (SCE) distribution system and two State of Emergency Proclamations were issued.<sup>2</sup> The December 2010 rainstorms caused significant damage to SCE's system in Inyo, Kern, Kings, Los Angeles, Orange, Riverside, San Bernardino, Santa Barbara, and Tulare Counties.<sup>3</sup> Three State of Emergency Proclamations were issued for the December 2010 Rainstorms.<sup>4</sup>

On September 30, 2013, SCE filed an application to recover costs recorded in its Catastrophic Events Memorandum Account (CEMA) related to the 2009 Firestorm and 2010 Rainstorms (CEMA Application). Specifically, SCE sought: (1) recovery of \$41.707 million of incremental capital expenditures used as the basis for the revenue requirement recorded in SCE's 2009 Firestorm and 2010 Rainstorm CEMA Capital Cost subaccounts; (2) Commission's authorization to transfer the recorded balances in the 2009 Firestorms CEMA and the January 2010 Rainstorm CEMA capital costs subaccounts, including interest, estimated to be \$2.9 million and \$1.6 million respectively, to the distribution sub-account of the Base Revenue Requirement Balancing Account (BRRBA) for recovery in distribution rates, upon the effective date of the final Commission decision in this proceeding; and (3) authorization to continue recording the capital-related revenue requirement in the December 2010 Rainstorm CEMA capital cost subaccount and transfer its recorded balance, including interest, estimated to be

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<sup>2</sup> SCE Application at 4.

<sup>3</sup> SCE Application at 5.

<sup>4</sup> SCE Application at 5.

\$2.2 million, to the distribution sub-account of the BRRBA for recovery in distribution rates, upon the latter of the effective date of a final Commission decision in this proceeding or in Phase 1 of SCE's 2015 General Rate Case (GRC) proceeding.<sup>5</sup>

The Office of Ratepayer Advocates (ORA) issued a Freedom of Information Act (FOIA) request to the Forest Service Pacific Southwest Law Enforcement and Investigation Unit seeking the Station Fire Report of Investigation and the Morris Fire Incident Report.<sup>6</sup> In response, the United States Department of Agriculture granted ORA's FOIA request and provided copies of the reports on December 20, 2013.<sup>7</sup>

ORA also filed a protest to SCE's CEMA Application on November 1, 2013. ORA identified that it would audit SCE's CEMA Application for CEMA-eligibility. This included: reviewing the application's costs to determine if they were related to CEMA-eligible events and were incurred in territories with competent disaster declarations, and auditing the application to ensure that the costs proposed were compliant, incremental, and reasonable.<sup>8</sup>

A Prehearing Conference (PHC) was held on March 10, 2014. At the PHC, neither SCE nor ORA objected to the preliminary categorization of the proceeding. ORA indicated its intention to file a motion for official notice, at the

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<sup>5</sup> SCE Application at 2.

<sup>6</sup> Joint Motion of SCE and ORA for Approval of Amended Settlement Agreement (Joint Motion), September 4, 2014, at 5.

<sup>7</sup> Joint Motion at 6.

<sup>8</sup> Protest of ORA November 1, 2013, at 1-4.

request of the assigned Administrative Law Judge (ALJ), in the interest of making the investigative reports of the Morris and Station fires more publicly accessible.<sup>9</sup>

On June 27, 2014, ORA filed its Motion for Official Notice to request the Commission to take official notice of the Station Fire Report of Investigation and the Morris Fire Incident Report and the facts contained therein.<sup>10</sup> On August 21, 2014, the assigned ALJ issued an email ruling approving ORA's Motion for Official Notice.

ORA and SCE jointly filed a list of stipulated facts on July 2, 2014. Shortly after, ORA served its Report on the Results of Examination for SCE's CEMA-2009 Firestorms and 2010 Rainstorms (ORA Audit Report) on July 14, 2014.<sup>11</sup> The list of stipulated facts identified an error in SCE's application that was discovered in response to an ORA Data Request. The error consisted of a non-CEMA order of \$42,054.11 that should have been excluded from SCE's request of \$30.845 million in direct capital plant additions.<sup>12</sup>

On August 26, 2014, SCE filed a Notice of Settlement Conference and Proposed Settlement in Principle, and held a settlement conference on September 2, 2014.<sup>13</sup> On September 4, 2014, SCE and ORA (collectively, the Settling Parties) filed the Joint Motion of SCE and ORA for Approval of the Settlement Agreement. On October 21, 2014, the Settling Parties filed the Joint Motion of SCE and the ORA For Approval of Amended Settlement Agreement.

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<sup>9</sup> Preliminary Hearing, Reporter's Transcript, at 8.

<sup>10</sup> ORA's Motion for Official Notice, June 27, 2014, at 1.

<sup>11</sup> Joint Motion at 7.

<sup>12</sup> ORA and SCE Joint List of Stipulated Facts, July 2, 2014, at 2.

**2. Settlement Agreement and Terms**

As noted above, SCE's CEMA Application was protested. The Settling Parties reached an agreement to resolve this proceeding and SCE's request for recovery of costs recorded in its CEMA related to the 2009 Firestorms and 2010 Rainstorms.

In pertinent part, the Amended Settlement Agreement recommends approval of SCE's request to recover the amounts recorded in the 2009 Firestorm and 2010 Rainstorm CEMA Capital Cost subaccounts less a disallowance of \$42,054.11 in capital additions.<sup>14</sup> The Settling Parties agree that the Commission should find reasonable \$41.651 million of incremental capital expenditures used as the basis for the revenue requirement recorded in SCE's 2009 Firestorm and 2010 Rainstorm CEMA Capital Cost subaccounts.<sup>15</sup>

The Settling Parties also agreed that the Commission should authorize SCE to transfer the recorded balances in the 2009 Firestorms CEMA and the January 2010 Rainstorm CEMA capital costs subaccounts, including interest, estimated to be \$2.9 million and \$1.6 million respectively, to the distribution sub-account of the BRRBA for recovery in distribution rates, upon the effective date of the final Commission decision in this proceeding.<sup>16</sup>

Lastly, the Amended Settlement Agreement calls for the Commission to authorize SCE to continue recording the capital-related revenue requirement in

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<sup>13</sup> SCE's (U 338-E) Notice of Settlement Conference and Proposed Settlement in Principle, August 26, 2014, at 1.

<sup>14</sup> Southern California Edison Company's (U 338-E) Notice of Settlement Conference and Proposed Settlement in Principle at 10.

<sup>15</sup> Joint Motion, Attachment A at 7.

<sup>16</sup> Joint Motion, Attachment A at 7.

the December 2010 Rainstorm CEMA capital cost subaccount and transfer its recorded balance, including interest, estimated to be \$2.1 million, to the distribution sub-account of the BRRBA for recovery in distribution rates, upon the latter of the effective date of a final Commission decision in this proceeding or in Phase 1 of SCE's 2015 GRC proceeding.<sup>17</sup>

### **3. Discussion**

In order for the Commission to approve a proposed settlement, the Commission must be convinced that the parties have a sound and thorough understanding of the application, the underlying assumptions, and the data included in the record. Pursuant to Rule 12.1(d), the Commission will only approve settlements if the settlement is reasonable in light of the whole record, consistent with the law, and is in the public interest. As discussed below, we find the Amended Settlement Agreement consistent with Rule 12.1.

#### **3.1. Reasonableness in Light of the Record as a Whole**

The Amended Settlement Agreement is reasonable in light of the record as a whole. The Settling Parties reviewed SCE's CEMA Application. The Settling Parties engaged in extensive discovery as well. ORA performed an audit of SCE's CEMA Application, SCE's prepared testimony, errata of that testimony, SCE's work papers, SCE's recorded costs in CEMA, the Station Fire Report of Investigation, and the Morris Fire Incident Report. Additionally, ORA sent data requests and conducted numerous interviews of SCE personnel.

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<sup>17</sup> Joint Motion, Attachment A at 7.

**3.2. Consistent with Law and Prior Commission Decisions**

The issues resolved in the Amended Settlement Agreement are within the scope of the proceeding. The Amended Settlement Agreement is also consistent with law and prior Commission decisions.

**3.3. The Public Interest**

After good faith negotiations, the Settling Parties came to a reasonable compromise that furthers the public interest. The Amended Settlement Agreement promotes a favorable outcome for ratepayers. For instance, the Amended Settlement Agreement provides for a disallowance of \$42,054.11 in capital additions previously requested by SCE that were found to belong to a storm work order that was not directly related to the declared storms.<sup>18</sup> Moreover, by coming to a compromise, the Settling Parties avoided excess and uncertain litigation over the matter and made an efficient use of time and resources.

**4. Conclusion**

After reviewing the Amended Settlement Agreement and the materials and process used to reach the agreement, the Commission concludes that the Amended Settlement Agreement is reasonable in light of the record as a whole, is consistent with applicable statutes and prior Commission decisions, and is in the public interest.

**5. Categorization and Need for Hearing**

In Resolution ALJ 176-3323, dated October 3, 2013, the Commission preliminarily categorized this application as ratesetting, and preliminarily

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<sup>18</sup> Joint Motion at 7.

determined that hearings were necessary. On November 1, 2013, ORA filed protests to the application. With the filing of the Settlement Agreement and supporting Joint Motion, no further hearings are necessary.<sup>19</sup>

## **6. Comments on Proposed Decision**

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

## **7. Assignment of Proceeding**

Carla J. Peterman is the assigned Commissioner and W. Anthony Colbert is the assigned ALJ in this proceeding.

### **Findings of Fact**

1. The ORA filed a protest to the Application of SCE for Authorization to Recover Costs Related to 2009 Firestorms and 2010 Rainstorms and Recorded in the Catastrophic Event Memorandum Account.

2. The ORA and SCE reached a compromise, embodied in the Amended Settlement Agreement, which is Attachment A to today's decision.

3. The Amended Settlement Agreement provides for a disallowance of \$42,054.11 in capital additions previously proposed and requested by SCE.

4. The Amended Settlement Agreement found that \$41.651 million of incremental capital expenditures used as the basis for the revenue requirement recorded in SCE's 2009 Firestorm and 2010 Rainstorm CEMA Capital Cost subaccounts is reasonable.

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<sup>19</sup> Joint Motion at 12.

5. The ORA and SCE engaged in extensive discovery and review of the record, which included an audit of SCE's CEMA Application, review of SCE's prepared testimony and errata of that testimony, review of SCE's work papers and SCE's recorded costs in CEMA, review of the Station Fire Report of Investigation, and the Morris Fire Incident Report.

6. Additionally, the ORA sent data requests and conducted numerous interviews of SCE personnel.

7. The Amended Settlement Agreement promotes a favorable outcome for ratepayers as it provides for a disallowance of \$42,054.11 in capital additions previously requested by SCE that originated from a storm work order that was not directly related to the declared storms.

8. By reaching a settlement, the ORA and SCE avoided excess and uncertain litigation over the matter and made an efficient use of time and resources.

9. The ORA and SCE stipulated and moved the following documents into the evidentiary record without the need for cross-examination: (1) Exhibit SCE-1, Catastrophic Event Memorandum Account Testimony-2009 Firestorms and 2010 Rainstorms; (2) ORA's Report on the Results of Examination for SCE's Catastrophic Event Memorandum Account-2009 Firestorms and 2010 Rainstorms; (3) Exhibit SCE-2, Catastrophic Event Memorandum Account Rebuttal Testimony-2009 Firestorms and 2010 Rainstorms; and (4) errata to Exhibit SCE-2 Catastrophic Event Memorandum Account Rebuttal Testimony-2009 Firestorms and 2010.

### **Conclusions of Law**

1. The Amended Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest.

2. The Amended Settlement Agreement fully resolves and settles all disputed issues between the ORA and SCE.
3. The Amended Settlement Agreement should be approved.
4. The Joint Motion of SCE (U 338-E) and The ORA for Approval of Amended Settlement Agreement should be granted.
5. No further hearings are necessary.
6. ORA and SCE's request that certain documents be made part of the evidentiary record should be granted.

**O R D E R**

**IT IS ORDERED** that:

1. The Joint Motion of Southern California Edison Company (U 338-E) and the Office of Ratepayer Advocates for Approval of Amended Settlement Agreement is granted.
2. The Amended Settlement Agreement is approved and an unsigned version of the Amended Settlement Agreement is Attachment A to today's decision.
3. The Office of Ratepayer Advocates (ORA) and Southern California Edison Company's (SCE's) request that certain documents be made part of the evidentiary record is granted and the following documents shall be moved into the evidentiary record: (1) Exhibit SCE-1, Catastrophic Event Memorandum Account Testimony-2009 Firestorms and 2010 Rainstorms; (2) ORA's Report on the Results of Examination for SCE's Catastrophic Event Memorandum Account-2009 Firestorms and 2010 Rainstorms; (3) Exhibit SCE-2, Catastrophic Event Memorandum Account Rebuttal Testimony-2009 Firestorms and 2010 Rainstorms; and (4) Errata to Exhibit SCE-2 Catastrophic Event Memorandum Account Rebuttal Testimony-2009 Firestorms and 2010 Rainstorms.

4. No further hearings are necessary.
5. Application 13-09-016 is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.

**ATTACHMENT A**  
**SETTLEMENT AGREEMENT**

**AMENDED SETTLEMENT AGREEMENT  
BETWEEN SOUTHERN CALIFORNIA EDISON COMPANY  
AND THE OFFICE OF RATEPAYER ADVOCATES RESOLVING THE  
CATASTROPHIC EVENT MEMORANDUM ACCOUNT  
PROCEEDING (APPLICATION No. 13-09-016)**

In accordance with Rule 12.1 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, the Office of Ratepayer Advocates (ORA) and Southern California Edison Company (SCE) (together the "Settling Parties"), by and through their undersigned representatives, enter into this Settlement Agreement resolving SCE's Catastrophic Event Memorandum Account (CEMA) proceeding, Application No. 13-09-016. The Settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

**I. BACKGROUND AND PROCEDURAL HISTORY**

**A. SCE's CEMA Application**

On September 30, 2013, SCE filed its application seeking Commission's authorization to recover costs recorded in its Catastrophic Event Memorandum Account (CEMA) associated with the 2009 Firestorms<sup>1</sup> and 2010 Rainstorms. In its CEMA Application, SCE sought recovery of \$41.707 million of incremental capital expenditures (which amounts to \$30.845 million of capital additions)<sup>2</sup> used as the basis for the revenue requirement recorded in SCE's 2009 Firestorm and 2010 Rainstorm CEMA Capital Cost subaccounts. SCE requested Commission's authorization to transfer the recorded balances in the 2009 Firestorms CEMA and the January 2010 Rainstorm CEMA capital costs subaccounts, including interest, estimated to be \$2.9 million and \$1.6 million respectively, to the distribution sub-account of the BRRBA for recovery in distribution rates, upon the effective date of the final Commission decision in this proceeding. SCE also requested authorization to continue recording the capital-related revenue requirement in the December 2010 Rainstorm CEMA capital cost subaccount and transfer its recorded balance, including interest, estimated to be \$2.2 million, to the distribution sub-account of

<sup>1</sup> SCE asserts that the 2009 Firestorm CEMA includes only the incremental capital-related costs associated with the Station Fire and Morris Fire in Los Angeles County.

<sup>2</sup> SCE asserts that this amount excludes cost of removal.

the BRRBA for recovery in distribution rates, upon the latter of the effective date of a final Commission decision in this proceeding or in Phase 1 of SCE's 2015 GRC proceeding.

The events referenced in SCE's Application are as follows:

**1. 2009 Firestorms**

Beginning on August 25, 2009, southern California experienced a series of firestorms. In particular, two fires, the Station Fire and the Morris Fire, caused significant damage to SCE's system and disrupted electric service to SCE's customers. In response to the fires, SCE declared a Category 2 storm event on August 28, 2009. A Category 2 storm event is declared when two or more of SCE's four geographic service zones are affected by storm recovery efforts.

Governor Arnold Schwarzenegger issued four State of Emergency Proclamations due to the 2009 Firestorms:

- On August 28, 2009, Governor Schwarzenegger proclaimed a State of Emergency for Los Angeles and Monterey Counties due to fires that began on August 26, 2009;
- On September 1, 2009, Governor Schwarzenegger proclaimed a State of Emergency for San Bernardino County due to fires that began on August 30, 2009;
- On September 23, 2009 Governor Schwarzenegger proclaimed a State of Emergency for Ventura County due to a fire that began on September 22, 2009; and
- On October 4, 2009, Governor Schwarzenegger proclaimed a State of Emergency for San Bernardino County due to a fire that started on October 3, 2009.

On September 22, 2009, SCE notified the Commission's Executive Director by letter that it had activated its CEMA for the 2009 fires, effective as of August 26, 2009, to "record its costs to restore service to customers and repair damage to its facilities resulting from the recent fires in counties within SCE's service territory."<sup>3</sup> Upon submittal of the letter, SCE

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<sup>3</sup> Copies of the notifications of CEMA activation for the 2009 Firestorms and the 2010 Rainstorms that are included in this Application are provided in the section of the workpapers entitled "SCE Notification of CEMA Activation."

recorded its costs to restore service to customers and repair damage to its facilities in its 2009 Firestorms CEMA.

## **2. January 2010 Rainstorms**

Southern California experienced a series of rainstorms beginning on January 17, 2010. Winds and rain downed power lines and flooded streets. The January 2010 rainstorms caused significant damage to SCE's distribution system. SCE declared a Category 2 storm event on January 17, 2010.

Two State of Emergency Proclamations were issued for the January 2010 Rainstorms.<sup>4</sup>

- On January 21, 2010, Acting Governor Edmund Brown, Jr. proclaimed a State of Emergency for Los Angeles, Orange, Riverside, San Francisco, and Siskiyou Counties due to a series of winter storms that brought high winds and significant amounts of precipitation; and
- On January 22, 2010, Governor Schwarzenegger proclaimed a State of Emergency for San Bernardino County due to the severe winter storms.

On February 12, 2010, SCE notified the Commission's Executive Director by letter that it had activated its CEMA for the January 2010 Rainstorms, effective as of January 17, 2010, to "record its costs to restore service to customers and repair damage to its facilities resulting from the severe winter storms within its service territory." Upon submittal of the letter, SCE recorded its costs to restore service to customers and repair damage to its facilities in its January 2010 Rainstorms CEMA.

## **3. December 2010 Rainstorms**

Beginning on December 18, 2010, southern California experienced a series of rainstorms. These storms caused significant, widespread damage to SCE's system in Inyo, Kern, Kings, Los Angeles, Orange, Riverside, San Bernardino, Santa Barbara, and Tulare Counties. SCE declared a Category 2 storm event on December 19, 2010.

Three State of Emergency Proclamations were issued for the December 2010 Rainstorms:

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<sup>4</sup> The Emergency Proclamations refer to the 2010 storms as either "winterstorms" or "rainstorms."

- On December 21, 2010 Governor Schwarzenegger proclaimed a State of Emergency for Kern, Orange, Riverside, San Bernardino, San Luis Obispo, and Tulare Counties due to severe rainstorms;
- On December 23, 2010, Acting Governor Abel Maldonado proclaimed a State of Emergency for Kings, Los Angeles, and Santa Barbara Counties due to severe rainstorms; and
- On December 24, 2010, Acting Governor Maldonado proclaimed a State of Emergency for Inyo and San Diego Counties due to severe rainstorms.

On January 14, 2011, SCE notified the Commission's Executive Director by letter that it had activated its CEMA for the December 2010 Rainstorms, effective as of December 18, 2010, to "record its costs to restore service to customers and repair damage to its facilities resulting from the severe winter storms within its service territory." Upon submittal of the letter, SCE recorded its costs to restore service to customers and repair damage to its facilities in its December 2010 Rainstorms CEMA.

**B. ORA Freedom of Information Act Request, Protest, Prehearing Conference, Motion for Official Notice, Audit Findings and Stipulation of Facts**

On October 24, 2013, ORA issued a Freedom of Information Act ("FOIA") request to the Forest Service Pacific Southwest Law Enforcement and Investigations Unit seeking the Station Fire Report of Investigation and Morris Fire Incident Report.

On November 1, 2013, ORA timely protested SCE's CEMA Application, identifying an initial set of issues that it proposed to audit in order to determine SCE's Application for CEMA eligibility.<sup>5</sup>

On December 20, 2013, the United States Department of Agriculture granted ORA's FOIA request and provided redacted copies of the requested fire reports.<sup>6</sup>

A Prehearing Conference (PHC) was held on March 10, 2014 before Administrative Law Judge (ALJ) W. Anthony Colbert. At the PHC, the preliminary categorization of the proceeding as

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<sup>5</sup> ORA Protest, at pp. 1-2.

<sup>6</sup> ORA Motion for Official Notice, dated: 6/27/14, Attachment 3

ratesetting was not objected to by SCE or the ORA. ORA also requested procedural guidance regarding bringing the Station Fire Report of Investigation and Morris Fire Incident Report into evidence in the interest of transparency. ORA was authorized to file a motion for official notice.<sup>7</sup>

On June 9, 2014, the Scoping Memo and Ruling of Assigned Commissioner confirmed that:

[t]he ORA indicated its intention to file a motion for official notice, at the request of the assigned Administrative Law Judge (ALJ), in the interest of making the investigative reports of the Morris and Station fires more publicly accessible.<sup>8</sup>

On June 27, 2014, pursuant to Rule 13.9 of the Commission's Rules of Practice and Procedure, Public Utilities Code §§ 452(c) and 452(h), and relevant precedent, ORA filed and served its Motion for Official Notice regarding the Station Fire Report of Investigation and Morris Fire Incident Report. ORA's motion was not opposed by any party, including SCE and the USDA (which is the federal investigative agency that provided said reports). As stated in ORA's motion:

The attached Station and Morris Fire Reports provide accurate information regarding the exact locations and causes of the fires. These two fires are indicated by SCE as the causes of certain costs being sought in the CEMA Application, and the Commission should therefore be provided with a comprehensive factual record of the facts relevant to the fires. The reports show that both fires had human causes later determined to be arson.<sup>9</sup>

The Motion for Official Notice was granted on August 21, 2014 in a filed Email Ruling. On July 2, 2014, ORA and SCE jointly filed a list of stipulated facts. The following stipulation was included:

SCE's application contains an error which was discovered in response to an ORA Data Request. Costs were incurred prior to the January 2010 Rainstorms' Emergency Proclamation, belonging to a storm work order that is not directly related to the declared storms ("non-CEMA order").

Total charges related to the non-CEMA order are \$42,054.11, which should have been excluded from SCE's request of \$30.845 million in direct capital plant additions.<sup>10</sup>

<sup>7</sup> PHC Transcript, dated: March 10, 2014, at RT: 10:22-11:25.

<sup>8</sup> Scoping Memo and Ruling of Assigned Commissioner, p. 5.

<sup>9</sup> ORA Motion for Official Notice, dated: 6/27/14, pp. 5-6, referencing Attachment 1, Station Fire Report of Investigation, p. 8 and Attachment 2, Morris Fire Incident Report, p. 1.

<sup>10</sup> Office of Ratepayer Advocates and Southern California Edison Company Joint List of Stipulated Facts, dated: July 2, 2014, at p. 2. (internal citations omitted.)

On July 14, 2014, ORA served its Report on the Results of Examination for SCE's CEMA-2009 Firestorms and 2010 Rainstorms (ORA Audit Report). ORA's Audit Report confirmed the \$42,054.11 disallowance. In preparing the Report, ORA conducted an extensive audit of SCE's CEMA Application, SCE's prepared testimony, errata to the testimony, workpapers and costs recorded in CEMA. ORA also conducted additional discovery of SCE's records and reviewed the Station Fire Report of Investigation and Morris Fire Incident Report.

ORA's audit included, among other things, the following:<sup>11</sup>

- (a) ORA reviewed SCE's prepared testimony and workpapers submitted with the CEMA Application and conducted discovery through data requests and interviews of SCE's personnel involved in preparing the CEMA Application.
- (b) ORA "reviewed costs and expenses in the years 2009 through 2010 for analytical studies" and conducted "verification of SCE's documented support for the storm-related costs and expenses that were booked to CEMA accounts."<sup>12</sup> ORA "sought to ensure that CEMA costs occurred in the counties that were subject to the declared disasters" and that the capital costs were "(1) incremental; and (2) reasonable."<sup>13</sup> ORA also reviewed the Station Fire Report of Investigation and Morris Fire Incident Report.
- (c) ORA sent approximately 60 data requests to SCE to verify that SCE's CEMA costs are associated with: (1) restoring utility service to its customers; (2) repairing, replacing, or restoring damaged utility facilities; (3) CPUC- jurisdictional; (4) incremental; (5) documented to be related to the wind and firestorms for which the Emergency Proclamations were made; and (4) reasonable.
- (d) ORA reviewed numerous invoices and reimbursement payments that were charged to the TDBU storm-accounts.

On July 22, 2014, SCE served its Rebuttal Testimony, stating that it agreed with ORA's recommended adjustment of \$42,000 in capital additions from its original CEMA Application. SCE also set forth the estimated capital related revenue requirement after removing \$42,000 in capital additions.

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<sup>11</sup> ORA's Report on the Results of Examination for SCE CEMA 2009 Firestorms and 2010 Rainstorms dated: July 14, 2014, at p. 4.

<sup>12</sup> ORA's Report on the Results of Examination for SCE CEMA 2009 Firestorms and 2010 Rainstorms dated: July 14, 2014, at p. 3.

<sup>13</sup> *Id.* at pp. 3-4.

After several months of extensive discovery, the Settling Parties reached this Settlement Agreement to resolve this proceeding.

## **II. THE SETTLEMENT**

This Settlement resolves this proceeding and consists of the following agreement by the Settling Parties:

1. The Settling Parties agree that the Commission should approve SCE's request to recover the amounts recorded in 2009 Firestorms and 2010 Rainstorms CEMA Capital Cost Subaccounts, estimated to be \$41.707 million of incremental capital expenditures (which amounts to \$30.845 million of capital additions), less a disallowance of \$42,054.11 in capital additions.
2. After removing \$42,054.11 in capital additions from its original CEMA Application as recommended by ORA, the Settling Parties agree that the Commission should:

(1) Find reasonable<sup>14</sup> \$41.651 million of incremental capital expenditures (\$30.803 million of capital additions)<sup>15</sup> used as the basis for the revenue requirement recorded in SCE's 2009 Firestorms CEMA and its 2010 Rainstorms CEMAs' capital costs subaccounts;

(2) Authorize SCE to transfer the recorded balances in the 2009 Firestorms CEMA and the January 2010 Rainstorm CEMA capital costs subaccounts, including interest and currently estimated to be \$2.9 million and \$1.6 million respectively, to the distribution sub-account of the BRRBA for recovery in distribution rates, upon the effective date of a final Commission decision in this proceeding; and

(3) Authorize SCE to continue to record the monthly capital-related revenue requirement in the December 2010 Rainstorm CEMA capital cost subaccount and transfer its recorded balance, including interest and currently estimated to be \$2.1 million, to the distribution sub-account of the BRRBA for recovery in distribution rates, upon the latter of the effective date of a final Commission decision in this proceeding or in Phase I of SCE's 2015 GRC proceeding.

<sup>14</sup> SCE asserts that SCE's 2015 GRC revenue requirement will be revised for any amounts disallowed in this proceeding, as well as the revenue requirement included in rates related to the 2012 GRC D.12-11-051.

<sup>15</sup> SCE asserts that this excludes cost of removal.

**III. RESERVATIONS**

1. The Settling Parties agree that this Settlement represents a compromise of their respective positions. It does not represent the Settling Parties' endorsement of, or agreement with, any or all of the positions of the other party.
2. This Settlement represents a compromise between the Settling Parties and is not considered precedent. The Settling Parties have assented to the terms of this Settlement Agreement only for the purpose of arriving at the compromise herein. Except as provided in Reservation 4 below, nothing in this Settlement shall limit the right of either Settling Party to advocate different principles or positions outside the context of this Settlement.
3. The Settling Parties by joint motion concurrently request Commission approval of this Settlement. The Settling Parties additionally agree to actively support prompt approval of the Settlement. Active support shall include necessary filings and, if required, appearances and other means to obtain the approval sought. The Settling Parties further agree to participate jointly in necessary briefings to Commissioners and their advisors regarding the Settlement and the issues resolved by it.
4. The Settlement may be amended or changed only by a written agreement signed by the

Settling Parties.

5. The Settling Parties have bargained earnestly and in good faith to achieve this Settlement. The Settling Parties intend the Settlement to be interpreted and treated as a unified, interrelated agreement.
6. Each of the Settling Parties hereto and their respective counsel have contributed to the preparation of this Settlement. Accordingly, the Settling Parties agree that no provision of this Settlement shall be construed against any Settling Party because that party or its counsel drafted the provisions.
7. This document may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

- 8. This Settlement shall, subject only to the Commission's approval, become effective between the Settling Parties on the date the last Settling Party executes the Settlement as indicated below.

**IV. STIPULATION OF RECORDS**

1. The Settling Parties acknowledge that ORA's Motion for Official Notice regarding the Station Fire Report of Investigation and Morris Fire Incident Report was granted on August 21, 2014 in a filed Email Ruling. Thus, the Settling Parties acknowledge that the officially noticed Station Fire Report of Investigation and Morris Fire Incident Report have been accepted into the evidentiary record of this proceeding.

2. Further, the Settling Parties hereby stipulate and move that the following documents be made part of the evidentiary record of this proceeding:

(a) Exhibit SCE-1, Catastrophic Event Memorandum Account Testimony- 2009 Firestorms and 2010 Rainstorms;

(b) Office of Ratepayer Advocates' Report on the Results of Examination for Southern California Edison Catastrophic Event Memorandum Account - 2009 Firestorms and 2010 Rainstorms;

(c) Exhibit SCE-2, Catastrophic Event Memorandum Account Rebuttal Testimony- 2009 Firestorms and 2010 Rainstorms; and

(d) Errata to Exhibit SCE-2 Catastrophic Event Memorandum Account Rebuttal Testimony- 2009 Firestorms and 2010 Rainstorms.

In witness whereof, intending to be legally bound, the Settling Parties hereto have duly executed this Settlement Agreement on behalf of the parties they represent.

OFFICE OF RATEPAYER  
ADVOCATES

SOUTHERN CALIFORNIA EDISON  
COMPANY

Joseph P. Como  
Director  
Office of Ratepayer Advocates

Megan Scott-Kakures  
Vice President  
SCE Regulatory Operations



OFFICE OF RATEPAYER ADVOCATES

Joseph P. Como  
Director  
Office of Ratepayer Advocates

Date: September \_\_, 2014

SOUTHERN CALIFORNIA EDISON COMPANY

Megan Scott-Kakures  
Vice President  
SCE Regulatory Operations

Date: September \_\_, 2014